

HOUSE FINANCE COMMITTEE  
February 18, 2009  
1:35 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas, Jr., Vice-Chair  
Representative Allan Austerman  
Representative Harry Crawford  
Representative Anna Fairclough  
Representative Richard Foster  
Representative Les Gara  
Representative Reggie Joule  
Representative Woodie Salmon

MEMBERS ABSENT

Representative Mike Hawker, Co-Chair  
Representative Mike Kelly

ALSO PRESENT

Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Joe Dubler, Director of Finance, Alaska Housing Finance Corporation; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation; Paul Kapansky, Director, Mortgage Operations, Alaska Housing Finance Corporation; Robert L. Brean, Director, Research & Rural Development, Alaska Housing Finance Corporation; John Anderson, Weatherization Officer, Research and Rural Development.

PRESENT VIA TELECONFERENCE

None.

SUMMARY

^Presentation: Alaska Housing Finance Corporation

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Co-Chair Stoltze requested information about the history of the Alaska Housing Finance Corporation (AHFC).

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DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, introduced his team.

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Mr. Fauske related the genesis of the Alaska Housing Finance Corporation. The Corporation was created in the 1970's. In the early 1990's programs from the Division of Community and Regional Affairs (DCRA) and Public Housing were merged into AHFC. The primary business of the corporation, aside from public housing, is to be a mortgage company. He stated that the department buys bonds from the banks. Profits are used, in part, to support low income and public housing projects.

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Mr. Fauske continued to list AHFC programs. Alaska has the highest per-capita population of veterans in the country and is one of five states that issues guaranteed veterans' bonds. Co-Chair Stoltze referred to a 1982 constitutional amendment that established veterans' bonds.

Mr. Fauske continued that AHFC has been successful in its attempt to raise low-cost capital and to create sustainable programs. He cited a recent slowing down of the AHFA market. He spoke of President Obama's speech and the reference to housing finance agencies as a sign that the market would pick up. He was encouraged by recent conversations with the new secretary of the U. S. Department of Housing and Urban Development (HUD).

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Mr. Fauske recalled that in 1995 five bills were introduced to the Senate Finance Committee in order to eliminate the AHFC. At that time Senator Halford provided an opportunity for Mr. Fauske, as the new AHFC CEO, to speak to the committee in support of the corporation. As a result AHFC was placed under the Executive Budget Act.

Mr. Fauske thought that legislation defining the percentage of AHFCs net income that would be dedicated to help support state finances, had been beneficial to both parties. The biggest concern was with Wall Street rating agencies. AHFC earns a spread on borrowed funds through business activities. Concerns about creating obstacles for investors have been unsubstantiated. Mr. Fauske felt that AHFC has established a good working relationship with the administration.

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Mr. Fauske highlighted another concern he referred to as the "piercing of the corporate veil". He emphasized that the debt of AHFC is not a debt of the state. The fear was that in the event of a downturn or financial collapse, investors would attempt to tie losses back to the state. A separate legal status has been maintained so as to not burden the state with unintended consequences.

Co-Chair Stoltze asked if AHFC has been impeded by the Executive Budget Act. He requested information about the status of AHFC today.

Mr. Fauske clarified that there were those who thought AHFC would be impeded by the Executive Budget Act, but that did not happen. He stated that AHFC has grown and that the net assets are at the same level as they were in 1995 even with a significant number of transfers to the state.

Mr. Fauske remarked that he could foresee a situation where more money may need to remain in the corporation in order to maintain the net asset base-retained earnings. He maintained that considering today's financial situation, more scrutiny and a more open dialogue with the public would be beneficial. He pointed out that AHFC is a state-owned corporation.

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Co-Chair Stoltze wondered if the corporation would pay dividends sometime in the future. He understood that in the past, most corporations did not issue dividends. He expressed appreciation that discussions with AHFC were always straightforward and that the corporation conducted its business with and transparency and accountability.

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Mr. Fauske observed that on a national level, AHFC has been used as an example for other states as to how housing agency operations should be run. Co-Chair Stoltze opined that transparency in accounting was a good model for different agencies throughout the country. Mr. Fauske agreed. He recalled his experience as treasurer with the North Slope Borough. He felt that the experience had prepared him for his current position.

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Mr. Fauske began with the Power Point presentation titled "Alaska Housing Market 2009" (Copy on File). He referred to Slide 2, "Alaska's Housing Market" which states:

- Interest rates are historically low.

- Prices are stable.
- New construction:
  - Extremely low.
  - Contractors are busy with remodeling.

Mr. Fauske continued to Slide 3, "What Happened Outside?":

- Collapse of housing market.
  - Economy - Loss of jobs.
  - Excessive speculation:
    - Buying.
    - Construction.
  - Subprime mortgages.
  - Depreciating home values.

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Mr. Fauske felt that the federal government should have acted sooner in helping the failing housing market and that the current housing debacle was compounded by a lack of oversight.

Representative Austerman wondered if effects from the recent federal loan of \$75 billion to the mortgage industry would be seen within the state.

JOE DUBLER, DIRECTOR OF FINANCE, ALASKA HOUSING FINANCE CORPORATION, answered that there are three key components to The Homeowner Affordability and Stability Plan proposed by President Obama, the second of which is the \$75 billion homeowner's stability initiative. The initiative is to help homeowners keep their homes and is still only a proposal and is not part of the American Recovery and Reinvestment Act.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, added that the \$75 billion are remaining Troubled Assets Relief Program (TARP) dollars that have already been appropriated by Congress. President Obama will decide where those funds are spent.

Mr. Fauske stated that recently a tightening of lines of credit by local banks has been observed by the corporation. He added that this has been seen nationally as well.

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Mr. Fauske continued to Slide 4, "The Good News Is...":

- Alaska is different from the lower 48:

- Adjustable Rate Mortgages (ARMs) were a very small proportion of total market.
- Small lending community that did not participate in riskier loan products.
- AHFC did not participate in them.
- Minimal speculative development or buying.
- Continued moderate growth in economy expected.

Mr. Fauske continued to Slide 5 titled, "Delinquencies-Are we in trouble? 3<sup>rd</sup> Quarter 2008":

- Mortgage Bankers Association survey- 6.99 percent nationally:
  - In Alaska our rate was 2.66 percent- the lowest in the nation.
  - AHFC delinquencies- 2.29 percent.
- Alaska's delinquency rate reached 5.9 percent in 2000 and 2001.

Representative Joule asked if the 5.9 percent in 2000 and 2001 was due to the dramatic drop in oil prices. Mr. Butcher replied that it was not.

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Representative Gara expressed hope that Alaska is learning from the housing crisis in the lower 48. He pointed out that Alaskan's have yet to see the unemployment rates of the lower 48. He felt that the loss of jobs in the lower 48 had directly contributed to people losing their homes.

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Mr. Fauske answered that Alaska is not immune from what is happening in the lower 48. He stressed that the bad economy and loss of jobs in the lower 48 was compounded by bad lending practices. Alaska has been fortunate to not have had these out of control lending practices.

Mr. Butcher added that the three main reasons for the housing situation in the lower 48 were loss of jobs, speculative buying and selling practices, and irresponsible lending practices. The situation was made worse by people trying to purchase homes by any means possible with the expectation that home values would continue to rise. Mr. Fauske mentioned that some of the loans that compounded the problem have been referred to as Ninja Loans which means, no income, no job, no assets. This means that loans were granted to people without scrutiny as to whether the loans

could be paid back. He felt this accurately summed up what happened in the lower 48.

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Mr. Fauske spoke more on the housing situation in the lower 48. He felt that the biggest problem Alaskans face at this time is the amount of time it takes to refinance a home loan. He pointed out that at least some of those loans are being refinanced.

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Mr. Fauske informed that the mortgage business in the state has evaporated.

Mr. Fauske presented Slide 6, "Foreclosures: 3<sup>rd</sup> Quarter 2008":

- Alaska ranks 47<sup>th</sup> in foreclosures at 1.64 percent.
- Nearly one-third the national average of 5.17 percent.

Co-Chair Stoltze wondered which states ranked higher on the list. Mr. Butcher replied that North Dakota, South Dakota and Wyoming vie with the state for top billing from quarter to quarter.

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Mr. Fauske continued to Slide 7, "Market is cooling":

- 2008 end-of-year numbers of homes for sale in Anchorage much lower than '90s.
- From 1999 to 2005, market hot for sellers.
- Now more moderate pace.

Mr. Fauske read from Slide 8, "Average Sales Price as of December 2008":

- Anchorage- \$326,000 (stable).
- Mat-Su- \$221,000 (stable).
- Fairbanks\*- \$213,000 (up 1 percent).
- Kenai- \$197,000 (up 2 percent).
- Kodiak- \$260,000 (up 10 percent).

\*as of September 2008.

Mr. Fauske described Slide 9 which is a graph "Average Sales Price Reported by Lenders". The graph charts a steady trend of housing prices remaining stable within the state.

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Mr. Fauske continued to Slide 10, "Statewide Housing Market-2008":

Sales Activity:

- Anchorage- down 10 percent.
- Mat-Su- down 20 percent.
- Fairbanks (as of 09/2008)- down 13 percent.
- Kenai- down 17 percent.
- Kodiak- down .05 percent.

Mr. Fauske discussed Slide 11, "Annual Residential Sales Activity." This graph reflects a 25 percent decline from 2001 to 2008. He felt that the numbers were not dramatic. He reported that currently it is not a buyer or a sellers market.

Vice-Chair Thomas understood that the Alaska Housing Standards did not exist 30 years ago. He questioned whether a 30 year-old home would qualify under the current standards.

Mr. Fauske answered that the corporation is bound by statute that any mortgage that AHFC purchases must meet the energy standards adopted in the Building Energy Efficiency Standard (BEES). He pointed out that those standards are not adhered to on a national level. He noted that this has presented some problems. Mr. Butcher interjected that homes built before 1991, when the standards were adopted, are not subject to BEES.

Representative Salmon wondered about the future of rural communities. Mr. Fauske answered the rural lending programs portfolio is filled with unconventional loans. He pointed out that this is because the areas where the homes are located are not the status quo. Some areas are very remote and lack access to items like fire hydrants, which can cause issues when attempting to qualify for insurance. He noted that the real estate market in rural Alaska is less traditional, but it is stable.

PAUL KAPANSKY, DIRECTOR, MORTGAGE OPERATIONS, ALASKA HOUSING FINANCE CORPORATION, added that historically the delinquency ratio in the rural portfolio has always been lower than in urban areas.

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Representative Salmon expressed concern with the lack of rural area representation in the presentation. Mr. Butcher countered that it was difficult to get information from

smaller communities. He stressed that gathering information from some of the larger communities had been a challenge. He furthered that there is not an entity that compiles the whole housing economy of the entire state. He maintained that AHFC comprises only 25 percent of the housing market which limits the available information.

Representative Salmon thought that given the amount of time AHFC has been in existence, the corporation should have developed a method of gathering information in rural areas. He argued that state allocated funds for home weatherization had not reached rural areas. He stressed that not everyone lives under the housing authority. He pointed out that perhaps the funds had gone for funding energy raters but that there are no energy raters in the rural areas.

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Co-Chair Stoltze spoke of his frustrations with Department of Environmental Conservation programs that people in his district do not qualify for. This means that some areas of his district have failed septic systems and no water. He continued that frustrations with some state programs are felt across the state in rural and in urban areas.

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Mr. Fauske asserted that the corporation had not intentionally excluded any rural areas. He informed that committee that a strong effort had been made to get to districts to gather information. He stressed that every district in the state received money for the weatherization program. He hoped next year would be more successful.

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Representative Salmon contended that rural issues were not addressed enough across the board. Representative Foster suggested discussing more specific rural issues at another venue.

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Representative Gara understood that there had been a problem with rural communities accessing raters. He asked what accommodations were being made for small communities who had a harder time finding raters. Mr. Fauske told of a roving raters program. He informed that raters are still being trained in order to accommodate the entire state.

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Mr. Fauske continued with Slide 12, "Number of Homes for Sale-Anchorage" which represents a decline of home sales

from 1995 to 2009. He did not think that the numbers were alarming. Slide 13, "Average Market Days- Statewide Through December 2008":

- Anchorage: 64-72, up 13 percent.
- Mat-Su: 79-92, up 16 percent.
- Fairbanks\*: 50-74, up 48 percent.
- Kenai: 103-116, up 13 percent.
- Kodiak: 68-85, up 25 percent.

\*as of September 2008.

Mr. Fauske discussed Slide 14, "How long does it take to sell?" which charts the average time a home is on the market in Anchorage. The average for 2008 was 79 days. Slide 15, "Annual Residential Building Permit Activity" shows that the building of single family homes in Anchorage has dropped from 924 in 2001 to 225 in 2008. Again, Mr. Fauske did not believe the numbers to be alarming.

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Mr. Fauske shared Slide 16, "Number of Permits By Area". The chart represents Juneau and Fairbanks and shows that numbers are declining. Slide 17, "Apartment Vacancies for February 2009":

- Anchorage- 5.0 percent.
- Juneau- 4.7 percent.
- Fairbanks- 21.2.
- Wasilla/Palmer- 2.1 percent.
- Kenai/Soldotna- 8.6 percent.

Mr. Fauske continued to Slide 18 which is a more detailed chart of apartment vacancies in Anchorage, Juneau, Fairbanks, Palmer/Wasilla, and Kenai/Soldotna.

Representative Foster thought that the high cost of heating vacant apartments would raise rents of full apartments. Mr. Fauske agreed. Mr. Kapansky added that the national vacancy rent is at 10 percent. Mr. Fauske explained that the purpose of the slide was to examine the rental markets and not the cost of heating.

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Mr. Fauske continued with Slides 19 - 24 which are a series of graphs that examine interest rates and are copyrighted by Mortgage X Mortgage Information Service. Mr. Fauske explained that interest rates have been declining over the last 30 years.

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Mr. Dubler explained the information on Slide 23. The red line represents a 30 year municipal market data (MMD), which gives an indication as to what the interest rates would be where a municipal entity to enter the current bond market. The grey line represents a benchmark of 30 years of U.S. Treasury (UST) bill trading. The blue line represents the London Interbank Offer Rate (LIBOR). The lines remain steady until September 2008 when the market dropped. At that time, as indicated on the chart, the UST and LIBOR drop and MMD rates rise. This produced a gap between AHFC mortgage rates and conventional market mortgage rates.

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Mr. Dubler stated that this has been the cause of low mortgage activity in the state. He continued to Slide 24, "AHFC Tax-Exempt 30-year vs. Conventional 30-year". The red line on the graph represents the Freddie Mac 30 year fixed conventional rate and charts its dramatic drop in January 2009. He explained that the federal government intends to alleviate the housing crisis by allowing Freddie Mac and Fannie Mae to offer lower interest rates. As a result the mortgage rate in Alaska has risen. In January the AHFC received \$60 million in pre-paid loans and more pre-payments are expected.

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Mr. Dubler spoke of Obama's plan to increase Fanny Mae and Freddie Mac loan purchases. He expects the federal interest rates will remain low. He shared that a representative from the state housing authority had met with the Federal Housing Finance Agency in early December 2008. The benefits of the meeting will be seen in the Obama Administration's support of state housing finance agencies.

Vice-Chair Thomas wondered if a Freddie Mack loan under the new federal interest rates, could be used to pay off an AHFC loan. He pointed out that using a lender other than AHFC could be less expensive for the Alaska homeowner. Mr. Dubler relayed that it would depend on how long the homeowner planned to stay in the home.

Mr. Butcher clarified that eventually it is a possibility that homeowners doing business with AHFC could refinance with other lenders.

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Mr. Fauske continued to slide 25. This slide states what 250 mortgage experts predict will happen within the next 30 to

90 days. The slide is supposed to provide comic relief in a tough situation. The "Mortgage Rate Trend Survey Predictions as of 02/09/2009" are:

Over the next 30 days:

Rates will rise significantly: 0.0 percent.  
Rates will rise slightly: 17.9 percent.  
Rates will remain unchanged: 14.3 percent.  
Rates will decline slightly: 64.3 percent.  
Rates will decline significantly: 3.6 percent.

Over the next 90 days:

Rates will rise significantly: 0.0 percent.  
Rates will rise slightly: 17.9 percent.  
Rates will remain unchanged: 25.0 percent.  
Rates will decline slightly: 42.9 percent.  
Rates will decline significantly: 14.3 percent.

Mr. Fauske hoped that an economic boost from the federal stimulus package would help to revive consumer confidence.

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Mr. Fauske continued to Slide 26, "Low Interest Rates- What has changed?" which states:

- Eligible borrowers have diminished 30-40 percent.
  - Loan investors and mortgage insurance companies tightened credit standards.
    - Higher down payment required.
    - Higher Fair Isaac Corporation(FICO)score required.
    - Jumbo loan financing limited.
    - No more exotic loans.
      - No income; no jobs; no assets; interest rate teaser; payment option (interest-only, half-interest, ect., payments).
- FHA
  - Increased fees.
  - No seller-financed down payment assistance.
- People do not qualify to refinance.
  - Decrease in property values.
  - Should not have gotten the loan in the first place and do not qualify.

Representative Fairclough wondered if AHFC offered reverse mortgages. Mr. Fauske replied no.

Mr. Fauske communicated that in certain areas of the country where the housing market crashed most significantly, the

monthly mortgage payments have remained the same even as the worth of the home has plummeted. Homes have decreased in market value, but monthly mortgage payments remain high.

Representative Foster thought that it had been too easy for people to qualify for exotic loans.

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Mr. Butcher agreed. He stated that AHFC had not participated in exotic loans. He cited California as an example where exotic loans had been generously distributed. Essentially, applicants had been approved for home loans they really could not afford with adjustable mortgage rates that gambled on the housing market not only remaining stable, but thriving. Mr. Kapansky added that some, desperate enough to own a home, misrepresented assets and employment income in order to dupe loan agents who were less than thorough in verifying the facts. Currently, not only can recipients of those exotic loans not make their rising mortgage payments, but the market value of their homes are worth less than the balance owed on the original home loan.

Mr. Fauske stated that when the mortgages were pulled, the major firms had billions in their portfolio invested in market backed securities, which now had no back-up. Alaska home ownership is about 70%. He felt that the current economic problems in the United States began in the housing industry and stressed that the housing loan problem needs to be stabilized in order to experience economic improvement.

Co-Chair Stoltze wondered if in the major housing markets could devise a chart that would break down the cost of owning a home, both the monthly mortgage payment and the overall cost of the home, in a way that would explain where each dollar is being spent.

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Co-Chair Stoltze hoped a breakdown of costs and was it possible. Mr. Fauske replied that many factors make up the equation in determining affordability for potential homeowners.

Co-Chair Stoltze suggested two charts, one charting mortgage payments and another for the overall cost of the home. Mr. Fauske replied that similar charts are currently used in classes for new homeowners.

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Co-Chair Stoltze worried that barriers for potential homeowners were inadvertently being created.

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Mr. Kapansky attempted to clarify the question raised by Co-Chair Stoltze. He stated that the mortgage components for homeownership are the principal interest, taxes and insurance, and the cost of mortgage insurance. The costs for a newly constructed home are more complicated and involve the cost of government regulation, land, materials, and labor. Co-Chair Stoltze understood the costs to be complicated. He thought that it would be beneficial to the general public to have a table that, in a simple format, charts the flow of costs.

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Mr. Fauske stated that affordable housing is a difficult issue. He cited Juneau as an example. He thought that affordable housing in Juneau was growing less and less possible given the cost of land. He pointed out that most of the land is owned by the city. He felt that the Juneau housing market had recently improved slightly.

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Mr. Fauske continued to Slide 28, "The Demand for Housing Isn't Likely to Subside." State demographers forecast population growth in the state which would likely increase the demand for housing. The senior population is the fastest growing population of homeowners in the state. This includes seniors already residing in Alaska and new residents.

Mr. Fauske discussed Slide 29, "Alaska Affordability Index," which shows that it takes 1.62 wage earners per household to afford a home based on median sales costs. Maintaining a single income home is only possible if the single income is high.

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Mr. Fauske discussed Slide 30, "The AHFCs Loan Volume":

- FY2007: 2,808 loans, \$565.7 million.
- FY2008: 2,012 loans, \$493.5 million.
- Projected through FY 2009: 1,500 loans, \$368 million (down 25 percent).

Mr. Fauske reported that one of the areas of debate is where the cash from pre-pays is invested while interest earnings are down. The corporation has been discussing the situation with local banks. Many of the larger builders throughout the state have had access to capital severely restricted.

Mr. Fauske turned to Slide 31, "Construction Spending 2009 Forecast":

- Total spending: \$7.1 billion, down 3 percent.
- Private-sector spending: \$4.3 billion, down 12 percent.
- Public-sector spending: \$2.7 billion, up 16 percent.

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Mr. Fauske continued to Slide 32, "How Did Alaska Compare?":

- Nationwide: Median home values fell for ninth straight quarter, 15.3 percent for the year.
- Anchorage: Median home values up 3 percent.
- Nationwide: Existing home sales down 3.5 percent.
- Western States: Existing home sales down 31.6 percent.
- Alaska: Existing home sales down 9 percent.

Mr. Fauske maintained that the downturn in home sales in the state is no reason for alarm.

Co-Chair Stoltze asked if sales were down because people could not sell homes for their asking price, or if homes were not selling even at lowered prices. Mr. Fauske responded that there has been a slowdown in all home sales.

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Vice-Chair Thomas asked if home sales were tracked as the values rise and fall. Mr. Kapansky answered that AHFC does not track the listing price compared to the actual sales price. He shared that the data is available. Vice-Chair Thomas felt that people might complain if they cannot get the price they want for their home. Mr. Fauske interjected that there is generally a difference between the assessed value and the appraised value of a home.

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Representative Austerman asked how the increased population of seniors is affecting the corporation. Mr. Fauske replied that the corporation is currently focusing more on assisted living homes, seniors living in public housing, and the need for affordable housing.

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Mr. Butcher added that more money has been requested from the legislature for senior housing because of increasing senior population; a \$2 million program four or five years ago is now \$5 million, and the request for FY10 will be \$7.5 million.

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Mr. Fauske called upon Robert Brean, Director, Research and Rural Development, Alaska Housing Finance Corporation, and John Anderson, Weatherization Officer, Research and Rural Development, to assist in discussing the department's energy-efficiency programs.

Representative Fairclough declared a conflict of interest. She stated that she has been on a wait list for six months to have her home rated for the program. She worried that her line of questioning might sound personal. Mr. Fauske shared that he was on the same list. Representative Fairclough hoped that the corporation would provide a way for residents to determine their status on the wait list.

Representative Foster stated for the record that he felt Representative Fairclough's conflict of interest should not exempt her from voting on possible legislation concerning any aspects of the energy-efficiency programs.

Representative Gara reported that he has been on the list for six months.

Mr. Fauske held that the list is greatly improved. A firm is helping people track through a toll-free number on the website. Mr. Butcher informed the committee that the telephone number was 1-877-AKREBATE [1-877-257-3228], and the website is akrebate.com. The person requesting the information can put in their phone number, and their number on the wait list will appear. The number zero indicates that the person's name and phone number have been dispatched to a rater, and the person could expect to be called within two weeks to set up an appointment. Any Alaskan can watch their progression up the list using the system. Mr. Fauske added that the entire database was at hand and at the committee's disposal.

Representative Fairclough pointed out difficulties for residents with multiple phone numbers. Mr. Fauske replied that the technology exists to assist with those challenges.

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Representative Austerman told of his conversation with a rater who claimed that applications were no longer being accepted. Mr. Fauske contended that the rater he spoke to was mistaken.

Mr. Butcher spoke of past issues involving raters, including raters who charged very high rates. He emphasized that the centralized list takes the power out of the raters' control.

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Representative Fairclough asked if rates for raters are standardized. Mr. Butcher replied that the rate is \$500 total, \$325 for the pre-rating and \$175 for the post-rating. The challenge has been pricing for larger homes. Alaskans have been informed that they can report rates if they seem excessively high. This has reduced rates.

Representative Fairclough asked if there is a complaint section for people who feel they are being taken advantage of.

ROBERT L. BREAN, DIRECTOR, RESEARCH & RURAL DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, answered that phone calls are fielded each day regarding the question. He reported the history of raters; early on, some charged more because of availability. As a result, AHFC centralized the rater list. Consumers asked if the price quoted was fair. The corporation told consumers what the reimbursement would be as well the spread for rates so consumers could shop around.

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Representative Fairclough asked if raters are certified by AHFC. Mr. Brean answered that the raters are trained and certified by AHFC based on the training. Raters are required to do five field audits with a master auditor double-checking their work before they are certified.

Representative Fairclough wondered how many energy raters are in the state and queried access to energy raters in rural areas. Mr. Brean answered that there are currently approximately 100 raters, and 20 in training. He revealed that AHFC had anticipated that the affluent communities would benefit from the rater program earlier than the rural communities, and responded by implementing a roving rater program. Raters are sent to rural areas at AHFC expense through the program. He told of a rater sent to McGrath as an example of fair and equitable access to the program.

Representative Fairclough wondered if energy ratings were being done on state-owned facilities to make sure they are energy efficient. Mr. Brean responded that all aspects of energy use are being examined. The central focus currently is on residential, but there has been a great deal of discussion about the broader community. Mr. Fauske added that the corporation would be working with all possible parties involved, including the Denali Commission and the Alaska Energy Authority (AEA). He noted discussions regarding larger buildings, especially state-own facilities.

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Representative Foster spoke of a rater that visited his home in 1988. He shared a personal story of the benefits of the program.

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Representative Fairclough referred to work regarding long-term solutions to reduce the carbon footprint in communities. She thought the first approach was weatherization.

Representative Gara asked if there was a periodic energy audit for state facilities. Mr. Fauske responded that AHFC does not do those audits. Mr. Butcher added that the corporation is restricted by statute to private residences.

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Representative Gara referred to money available for renewable energy upgrades and weatherization in the economic stimulus package. He queried the issue of adopting a statewide energy code for new construction. Mr. Brean described a component of the stimulus bill called the Energy Efficiency and Conservation Block Grant program, which refers to the building code issue. Weatherization is a separate line item in the stimulus bill. He thought the state would receive about \$18 million through the weatherization program. The building code issue is more relative to the grant program operated and run out of the office of the Secretary of Energy. Of the grants, part goes to municipalities, part to tribal entities; about 28% of the fund is available to Alaska. He referred to discussion about whether there had to be an existing code in place in order to qualify for the money. He reported that Senator Murkowski's office was advocating for Alaska.

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Co-Chair Stoltze pointed to research being done on the stimulus package and how the money will benefit Alaska. He hoped the committee could pool their findings in order to collectively benefit from the information.

Representative Gara assumed that most energy raters live in urban Alaska. He wanted to know if energy raters were being sent to all rural communities as a matter of course, or if communities needed to request raters.

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Mr. Butcher pointed out that the centralized waiting list enabled people to immediately see exactly where raters are. There are 20 raters in Fairbanks who have worked through

their waiting list and are available immediately for rural communities. He stated that the funding is there to send roving raters to rural communities.

Representative Gara asked what was required to have a rater sent to a community.

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Mr. Brean clarified the difference between the weatherization program and energy rebates. Weatherization is an income-qualified program for which 90 to 95 percent of rural occupants qualify. The number for the rebate program will be small in rural Alaska. The two programs are set up together so that no one slips through the cracks. Any individual that does not qualify for the weatherization program is immediately moved to the rebate program. He felt most rebates would go to urban areas. In McGrath, for example, although a dozen homes qualified for the rebate program, between 80 and 90 qualified for the weatherization program. Weatherization contractors are also trained to do assessments, which are similar to home energy ratings. The contractors guide home owners to the program most suitable to the assessment.

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Mr. Fauske added that the needs assessment identified and prioritized villages based on their standing against other villages in similar districts. He emphasized the quality of information and the method used.

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Mr. Fauske continued to Slide 33, Energy Programs:

- \$200 million for weatherization.
- \$100 million for rebates.
- \$60 million addition for rebates (September 2008).
- Big training components for both programs.

Mr. Fauske explained that 600 homes were weatherized. This year the number will triple to 1,800; year 2 will be 4,000; and year 3 will be 7,500. Statewide weatherization providers and housing authorities continue to ramp-up.

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Mr. Fauske presented Slide 35 "Home Energy Rebate Program Ratings Processed":

- Estimate: More than 8,000 ratings performed by raters.

- 6,212 ratings processed.
- Approximately \$58.9 million committed.
- 150 - 200 applications received per day.
- More than 200 inquiries per day.
- 349 Post-Improvement rebates paid average: \$5,941.
- 162 New 5 Star Plus rebates paid totaling \$1.2 million.

Mr. Fauske recognized the number on the waiting lists, but stressed that progress is being made. He stressed the fine line between too many raters and not enough. He assured members that they would work to reduce the list.

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Mr. Brean stressed consumer awareness. There is a 30 to 35 percent return on investment. Consumers are able to see where their resources should be put in order to maximize their investments.

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Mr. Fauske referred to a report AHFC compiled for the Energy Committee. A sample of 200 homes found 12,500 pounds of reduced CO2 emissions per home, per year with an average utility savings of \$1,353. The life and quality of homes have been improved. Consumers know that the money will not run out before they are rated.

Representative Fairclough referred to the testing facility in Fairbanks. She questioned if the general consumer had access to the findings at the testing facility. She pointed out that factors for weatherization are very different throughout the state.

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Mr. Brean commented that there are 5 different regions to take into account when discussing the weatherization issue. Heating degree days, climate type, cost of fuel and cost of construction are taken into account. A study by Information Insights and Cold Climate Housing Research Center recommended that the energy conservation measures that AHFC is doing through weatherization and energy rebate programs are the first, foremost, and quickest return on Alaska's investment. Alternative energy and other capital investments for power generation are long term issues to be addressed.

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Mr. Butcher projected that no additional funds would be requested in FY10 for weatherization and energy rebate. He estimated the federal stimulus package would provide assistance to the state of Alaska: \$18 million for

weatherization assistance program; \$28 million for state energy program, which would come through AHFC; \$3.3 million for the public housing the capital fund; \$4.3 million in home funding administered in partnership with non-profits and community based organization; \$1.9 million for homeless prevention; and \$8 thousand tax credit for first time home buyers.

[3:31:00 PM](#)

Representative Gara noted that there is a long waiting list for section 8, low income housing subsidies. Mr. Butcher stated that the program is supported 100 percent by federal funds. He gave that the need for housing outweighed the vouchers available across the country.

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Mr. Fauske added that the federal government has ceased production of new low income housing units but increased subsidies to landlords. He declared that new units need to be built within the state in order to accommodate the growing need for section 8 housing. The waiting list is currently at 5,000. He elaborated on the increasing difficulties of building low income housing. He declared that it takes a lot of financing to make things work and that tax credits are non existent.

Co-Chair Stoltze compared the low income housing issue to building schools in rural areas.

[3:36:25 PM](#)

Representative Gara remarked that if funding was not increased for low income housing, the waiting list will remain at 5,000 indeterminately.

Mr. Fauske maintained that the corporation was dedicated to working toward a solution to the problem.

[3:37:08 PM](#)

Representative Foster expressed his appreciation for the testifiers.

#  
ADJOURNMENT

The meeting was adjourned at 3:39 PM.